

Request for City Council Action

Date: April 8, 2002

To: Council Member Lisa Goodman, Community Development Committee

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Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: City of Minneapolis to Consent to Host Approval to the Issuance of Tax-exempt Revenue Bonds by the City of Blaine, Minnesota on Behalf of Fraser, a Minnesota Nonprofit.

Previous Directives: In October, 2001, the City of Minneapolis issued \$1,750,000 in bonds for the construction of a new family and child center at 3333 University Avenue, SE.

Ward: N.A. There is no project in the City of Minneapolis to be financed with these bonds.

Neighborhood Group Notification: N.A.

Consistency with *Building a City That Works*: N.A.

Comprehensive Plan Compliance: N.A.

Zoning Code Compliance: N.A.

Impact on the MCDA Budget:

☐ No financial impact

☐ Action requires an appropriation increase to the MCDA Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☒ Other financial impact (Explain): A portion of the bonds issued by the City of Blaine will be used to pay off bonds issued by the City of Minneapolis in 2001.

Living Wage/Business Subsidy: N.A.

Job Linkage: N.A.

Affirmative Action Compliance: N.A.

RECOMMENDATION:

City Council Recommendation: The Interim Executive Director recommends that the City Council adopt the attached Resolution, a summary of which will be published, granting host approval to the issuance of Tax-exempt Revenue Bonds by the City of Blaine, for Fraser, a Minnesota nonprofit.

Background/Supporting Information:

The City of Blaine, Minnesota is proposing to issue 501(c)(3) nonprofit tax-exempt revenue bonds in the amount of \$4 million. The proceeds of the bonds will be used to refinance the costs to Fraser, a Minnesota nonprofit, of twenty-two residential group home facilities in the City of Blaine, Brooklyn Park, Eden Prairie, Edina, Golden Valley, Minnetonka, Plymouth and Richfield and rehabilitation of some of these residential group facilities. In addition, a portion of the 2001 Minneapolis tax-exempt bonds will be redeemed and refinanced with the City of Blaine bonds.

In order to make use of tax-exempt revenue bonds for the project, Fraser proposes to have the City of Blaine issue the revenue bonds so that a local bank can purchase the bank-qualified bonds. The federal tax laws permit bank deductibility for cities/counties that issue less than \$10 million a year in revenue bonds. The City of Minneapolis issues more than that each year. Therefore, in order to facilitate the use of up to \$4 million in tax-exempt bond financing by Fraser, the City of Minneapolis is being asked pursuant to a joint powers agreement, to permit the issuance of bonds by the City of Blaine.

RELATING TO THE ISSUANCE OF REVENUE BONDS TO REFINANCE THE COSTS OF A PROJECT UNDER MINNESOTA STATUTES, SECTIONS 469.152-469.165, AS AMENDED, PURSUANT TO A JOINT POWERS AGREEMENT; GRANTING APPROVAL THERETO; GRANTING APPROVAL FOR ENTERING INTO A JOINT POWERS AGREEMENT; AND TAKING CERTAIN OTHER ACTIONS WITH RESPECT THERETO

BE IT RESOLVED by the City Council of the City of Minneapolis, Minnesota (the “City”), as follows:

Section 1. Recitals.

1.01. The City is a home rule city duly organized and existing under its Charter and the Constitution and laws of the State of Minnesota.

1.02. Pursuant to Minnesota Statutes, Sections 469.152 - 469.165, as amended, (the “Act”), the City is authorized to carry out the public purposes described in the Act by providing for the issuance of revenue bonds to provide funds to finance multifamily housing developments and revenue producing enterprises located within the City.

1.03. Fraser, a Minnesota nonprofit corporation (the “Company”) has proposed that the City, pursuant to the Act, authorize the City of Blaine, Minnesota (the “City of Blaine”) to issue revenue bonds of the City of Blaine in the approximate aggregate principal amount not to exceed \$4,000,000, in one or more series at one time or from time to time (the “Bonds”), the proceeds of which will be loaned by the City of Blaine to the Company to be applied by the Company to: (i) refinance the costs to the Company of twenty-two residential group home facilities (collectively, the “Project”) located in the City of Blaine, and in the cities of Brooklyn Park, Eden Prairie, Edina, Golden Valley, Minnetonka, Plymouth and Richfield (collectively with the City, the “Participant Cities”), (ii) finance the costs of the rehabilitation of the residential group home facilities comprising the Project; (iii) redeem and prepay the Series 2001A Note (as hereinafter defined) issued by the City to finance the costs of a development achievement center for children with autism and related disorders located at 3333 University Avenue S.E. in the City of Minneapolis (the “Minneapolis Facility”); and (iv) finance the costs of issuing the Bonds.

1.04 On October 3, 2001, the City issued its Revenue Note (The Fraser Child and Family Center Project), Series 2001A (the “Series 2001A Note”), in the original aggregate principal amount of \$1,000,000, and its Revenue Note (The Fraser Child and Family Center Project), Series 2001B (the “Series 2001B Note”), in the original aggregate principal amount of \$750,000 (the Series 2001A Note and the Series 2001B Note are hereinafter collectively referred to as the “Notes”), pursuant to the provisions

of the Act, and Resolution 2001R-371, adopted by the City Council of Minneapolis on August 24, 2001. The proceeds derived from the sale of the Notes were loaned to Fraser to finance the acquisition and construction of the Minneapolis Facility. A portion of the Bonds will be used to redeem and prepay the Series 2001A Note.

Section 2. Preliminary Findings. Based on representations made by the Company to the City to date, the City Council of the City hereby makes the following preliminary findings, determinations, and declarations:

(a) The Bonds will refinance the outstanding indebtedness incurred with respect to the residential group home facilities for the developmentally disabled comprising the Project and will also refinance a development achievement center for children with autism and related disorders comprising the Minneapolis Facility.

(b) The proceeds of the Bonds will be loaned to the Company by the City of Blaine and the proceeds of the loan will be applied to refinance the Project, finance the rehabilitation of the Project, refinance the Minneapolis Facility, and finance the issuance costs of the Bonds. The City of Blaine will enter into a Loan Agreement with the Company requiring loan repayments from the Company in amounts sufficient to repay the loan when due and requiring the Company to pay all costs of maintaining and insuring the Project, including taxes thereon.

(c) In authorizing the issuance of the Bonds and the refinancing of the portion of the Minneapolis Facility located in the City and related costs, the City's purpose is and the effect thereof will be to promote the public welfare of the City and its residents by furthering the purposes and policies of the Act.

(d) The Bonds will be limited obligations of the City of Blaine payable solely from the revenues pledged to the payment thereof, and will not be a general or moral obligation of the City or be secured by the taxing power or any property or assets of the City.

Section 3. Approval. The City Council hereby gives approval to the issuance of the Bonds pursuant to a Joint Powers Agreement with the City of Blaine and the Participant Cities in the approximate aggregate principal amount not to exceed \$4,000,000 to finance all or a portion of the costs of the Project and the Minneapolis Facility, subject to final approval by the City Council of the City of Blaine, following the preparation of bond documents and a determination by the City of Blaine that the financing of the Project and the Minneapolis Facility and the issuance of the Bonds are in the best interests of the Participant Cities and the City of Blaine.

Section 4. Joint Powers Agreement. The City Council hereby approves a Joint Powers Agreement between the Participant Cities and the City of Blaine (the "Joint Powers Agreement") substantially in the form of the Joint Powers Agreement now on file with the City. The City Council hereby authorizes the execution and delivery of the Joint Powers Agreement by the Mayor, the Finance Officer and the City Clerk of the City (or by other members of the City Council or other officers of the City who are authorized to execute and delivery the Joint Powers Agreement on behalf of the City) consistent with the provisions of this resolution.

Section 5. Costs. The Company will pay the administrative fees of the City and pay, or, upon demand, reimburse the City for payment of, any and all costs incurred by the City in connection with the Project, the Minneapolis Facility, and the issuance of the Bonds, whether or not the Bonds are issued.

Section 6. Effective Date. This Resolution shall be in full force and effect from and after its approval and publication.